

MTD	✓		BKC	✓
CS	✓		DPY	✓
RC	✓		DIV	✓
TRA	✓		AC	✓
ACM	✓	✓	SHI	✓
YE	✓	✓		✓



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ASSOCIATED FINLEASE LIMITED



*The Woods Are lovely Dark And Deep
But I Have Promises To Keep
And Miles To Go Before I Sleep
And Miles To Go Before I Sleep*

Robert Frost

Contents

Organisation	1
Notice	2
Directors' Report	3
Auditors' Report	7
Balance Sheet	8
Profit & Loss Account	9
Schedules 1 to 14	10
Statement Pursuant to Section 212	16
Balance Sheet Abstract	17
Cash Flow Statement	18
Annual Report of Subsidiary Company	
- Associated Forex Services Ltd.	19

ENCLOSURES

Attendance Slip and Form of Proxy



ORGANISATION

Board of Directors

Mr. R. L. Wadhwa
Chairman

Mr. Hari Om Bhatia
Managing Director

Mr. Rajeev N. Bhatia
Whole Time Director

Mr. Nalin Chaudhry

Mr. Vijay Kapur

Secretary

Malti Mehta

Bankers

Union Bank of India
Punjab & Sind Bank
Bank of Maharashtra
Bank of India

Auditors

M/s Sandeep Kumar & Associates

Legal Advisors

M/s Ahuja Arora & Associates

Share Transfer Agents

M/s In-house Share Registry
(A Unit of A.O.K. In-house Securities Ltd.)
3, Community Centre, Naraina, Phase-I
Near Payal Cinema, New Delhi-110028.

Registered Office

Sewak House
1E/12, Jhandewalan Extension
New Delhi-110055

Corporate Office

23, Shah Industrial Estate
Off. Veera Desai Road
Andheri (West)
Mumbai-400 058

**NOTICE**

NOTICE is hereby given that the Third Annual General Meeting of the Company will be held on Monday, the 29th September, 1997 at 10.00 A.M. at Khasra No.373-374/2, G.T.Karnal Road, Alipur By Pass, Delhi-110 036 to transact the following business :-

AS ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 1997 and the Profit and Loss Account for the year ended on that date together with the Reports of Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Sh. R.L.Wadhwa, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting of the Company and to fix their remuneration.

August 21, 1997
Registered Office:
1E/12, Sewak House,
Jhandewalan Extension,
New Delhi-110 055.

By Order of the Board

MALTI MEHTA
Company Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER OF THE COMPANY. The proxies, to be effective, should reach the Registered Office of the Company not later than 48 hours before the commencement of the meeting.
2. The Register of Members and the Share Transfer Books of the Company shall remain closed from 24th September, 1997 to 29th September, 1997 (both days inclusive).
3. The dividend on shares for the year ended 31st March, 1997 as recommended by the Board of Directors, if declared at the meeting, will be payable to those shareholders or their mandatee(s) whose names appear in Register of Members on 29th September, 1997.
4. Members are requested to intimate regarding any change in their address quoting their folio numbers immediately.
5. In order to prevent the losses arising due to fraudulent encashment of dividend warrants, members are requested to inform Permanent Account Number, Names and Addresses of the bank branches to enable the Company to incorporate the said details in the dividend warrants, if any issued, at the Company's Registered Office latest by 15th September, 1997.
6. Members who are holding shares in identical order of names in more than one folio are requested to write to the Company enclosing their certificates to enable the Company to consolidate their holdings in one folio.
7. Shareholders desiring information on Accounts and Operations of the Company may write to the Company ten days in advance so that the information may be made readily available at Annual General Meeting.
8. Members/proxies should bring the attendance slip duly filled in for attending the meeting.



DIRECTORS' REPORT

Your Directors have pleasure in presenting the Third Annual Report and the Audited Statement of Accounts of the Company for the financial year ended 31st March, 1997.

FINANCIAL RESULTS

	Year Ended 31.03.97	Year Ended 31.03.96
	(Rs. in Lacs)	
Profit before Tax, Interest & Depreciation	123.09	71.79
Less : Interest & Depreciation	64.25	19.35
Profit before Tax	58.84	52.44
Provision for Tax	NIL	NIL
Profit after Tax	58.84	52.44
Add : Profit brought forward from earlier year	34.15	15.89
Profit available for appropriation	92.99	68.33

APPROPRIATIONS

Proposed Dividend on Equity Capital	30.18	29.18
Transfer to General Reserve	NIL	5.00
Transfer to Reserve Fund	11.80	—
[As required by RBI (Amendment) Act, 1997]		
Additional Tax on Proposed Dividend	3.02	—
Balance carried to Balance Sheet	47.99	34.15

DIVIDEND

Your Directors are pleased to recommend dividend @ 6% on the Equity Capital.

OPERATIONS

The Gross income from Hire Purchase & Leasing stands at Rs.170.86 Lacs. Revenue from Direct Marketing and Income from Interest have contributed Rs.110.59 Lacs. Profit after Tax stands at Rs.58.84 Lacs which is marginally higher than the previous year ended 31st March, 1996 inspite of the fact that Profit before Tax, Interest and Depreciation has grown by 71.46% during the year. This has happened because of higher incidence of Interest and Depreciation during the current year. Provision for Lease Equalisation Reserve has also increased substantially during the year from Rs.5.27 Lacs in 1995-96 to Rs.25.19 Lacs in 1996-97. In addition, recent guidelines of Reserve Bank of India requiring Non-Banking Financial Companies to transfer 20% of their Profit after Tax to generate Reserve Fund has left the Company with low distributable profits.

Your Company has complied with the minimum capital adequacy requirement, as prescribed by the Reserve Bank of India for Non-Banking Financial Companies, with a capital adequacy ratio of 47.42% as on 31st March, 1997.

Having started the mobilisation of Fixed Deposits during the previous year, your Company has performed well by raising the level of Fixed Deposits to Rs.202.58 Lacs as on 31st March, 97 as against Rs.51.89 Lacs as on 31st March, 96.

Countrywide Consumer Financial Services Ltd. (A Joint Venture between GE Capital USA and HDFC Ltd.) has also raised its sanction for securitisation of your Company's Hire Purchase Receivables to Rs.150 Lacs as against Rs.55 Lacs last year.

Maha Rashtra Apex Corporation Ltd. (part of reputed Manipal Group of Companies) has also enhanced the Line of Credit to your Company for Lease and Hire Purchase Finance to Rs. 200 Lacs from Rs. 50 Lacs last year.

THE FUTURE SCENARIO

Having established its base for mobilisation and deployment of funds in Delhi and Mumbai and in order to spread its activities further, your Company proposes to expand its network of branches during the year. The process has



already been initiated by setting up branches at Chandigarh and Ludhiana.

Your Company has not been able to draw funds from Banks because of various reasons relating to economy and its impact on willingness of banks to lend funds specially to Non-Banking Financial Companies. It is expected that during the current year your Company will be able to start its borrowing operations from Banks and strengthen them further in future years. However, the Securitisation and Line of Credit tie-ups with Countrywide Consumer Financial Services Limited and Maha Rashtra Apex Corporation Limited have lent strength and stability to the inflow of funds to your Company for deployment into its business. Your Company has already initiated steps to strengthen these relationships further and explore possibilities of such tie-ups with other Non-Banking Financial Companies, Foreign Institutions and Corporates with surplus funds.

SUBSIDIARY COMPANY

During the year **Associated Forex Services Pvt. Ltd.**, a subsidiary of your Company has been converted into Public Limited Company. During 1996-97 this Company has obtained one more licence from the Reserve Bank of India for acting as Full-Fledged Money Changer at Ludhiana and has already commenced its operations there in December, 96. During its first full year of operation the Company has shown laudable performance by recording a Profit of Rs.10.01 Lacs on a Gross Turnover of Rs.3171.77 Lacs. Moreover, it has also applied for two more licences and expects to obtain the approval very soon.

FIXED DEPOSITS

There were no overdue deposits as on 31.03.97. There is also no deposit which was claimed and remained unpaid during the year.

DIRECTORS

In terms of provisions of Section 256 of the Companies Act, 1956 read with Articles of Association of the Company Shri R.L.Wadhwa, Director of the Company, retire by rotation at the Third Annual General Meeting of the Company and being eligible offers himself for reappointment.

Sh.A.G.Pandit who was on the Board of your Company from December 4, 1994 expired on January 3, 1997. Your Board deeply mourns the sudden demise of Sh. A.G.Pandit and places on record its appreciation of contributions made by him during his tenure.

AUDITORS

M/s Sandeep Kumar & Associates, Chartered Accountants, Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for reappointment. The requisite certificate under Section 224(1B) of the Companies Act, 1956 has been received from them.

AUDITORS' REPORT

The observations made in the Auditors' Report are self explanatory and do not require further clarification.

PERSONNEL

The Particulars of Employees as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 are set out in the statement annexed as Annexure 'A' and forms part of this report.

PROJECTIONS

The funds mobilised are being deployed as stated in the Prospectus. Statement of projected profitability as per the Prospectus dated 7th July, 1995 and actual profitability is as follows :-

Projected as per Prospectus dated 7th July, 1995	Actuals for the year ended 31st March, 1997
(Rs. in Lacs)	
389.86	281.45
151.30	58.84
10.00	6.00



The variation in projections given in the Prospectus and the Actuals for the year ended 31st March,97 was on account of the following reasons :

- 1 During the year 1996-97, the revenue expected from Merchant Banking Activities and Advisory Services could not be realised because of sluggish capital market conditions. Your Company has already decided to discontinue its Merchant Banking Activities and plans to concentrate on Lease and Hire Purchase business.
- 2 General recessionary conditions prevailing in Indian Economy during the year have also affected the demand for Consumer Finance resulting in lower deployments during the year. This has also affected the gross revenue realised from Lease and Hire Purchase Business.
- 3 The envisaged cash credit limits from banks to the tune of Rs.245 lacs have not materialised till date. This major source of funds could not be utilised by your Company during the year under review and hence, potential earnings on such deployments could not be realised. Moreover, alternate avenues to raise funds by way of Line of Credit and Securitisation arrangements resulted into higher Cost of Funds thereby increasing the Interest liability for your Company.
- 4 Provision for lease equalisation has also increased substantially which was not envisaged while projecting.

INFORMATION UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956

Your Company has no activity relating to conservation of energy and technology absorption. The Company had no foreign exchange earnings or outgo.

ACKNOWLEDGEMENT

Your Directors wish to place on record their sincere appreciation for the whole-hearted co-operation and assistance extended by the Shareholders, Dealers, Bankers, Depositors and Business Constituents.

Your Directors also express their deep appreciation for the devoted and sincere services rendered by the staff and officers of the Company at all levels.

For and on behalf of the Board

NEW DELHI
27TH JUNE, 1997

R.L. WADHWA
CHAIRMAN



Annexure 'A' to Directors' Report

Information as per Section 217(2A) of the Companies Act, 1956 and forming part of the Directors' Report for the year ended 31st March, 1997.

Sl. No.	Name	Age	Qualification & Experience	Date of Commencement	Designation/ Nature of Duty	Nature of Employment	Remuneration Received(Rs.)	Last Employment
1.	Hari Om Bhatia	39	B.Com., FCA, ACS 17 years	4th Dec., 94	Managing Director, Managerial	Contractual	4,81,992.00	Maharaja International Ltd., as Promoter Director
2.	Rajeev N. Bhatia	35	B.Com., ACA 10 years	1st Oct., 95	Whole Time Director, Managerial	Contractual	3,63,006.00	Dalal Street Journal, as Asstt. Editor

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AUDITORS' REPORT

We have audited the attached Balance Sheet of ASSOCIATED FINLEASE LIMITED as at 31st March, 1997 and the Profit & Loss Account for the year ended on that date annexed thereto and report that :-

- (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- (b) In our opinion proper books of account as required by the Law have been kept by the Company so far as appears from our examination of the books.
- (c) The Balance Sheet and the Profit & Loss Account dealt with by this report are in agreement with the books of account.
- (d) In our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :
 - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1997

and

(ii) In the case of the Profit & Loss Account, of the Profit of the Company for the year ended on that date. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we further report on the matters specified in paragraphs 4 & 5 of the said Order that :

1. The Company is maintaining proper records to show full particulars including quantitative details and situation of fixed assets. The fixed assets of the Company excluding those leased out have been physically verified by the management. No discrepancies between book records and physical inventory were noticed.
2. None of the fixed assets has been revalued during the year.
3. The Company has not taken any unsecured loan from a company listed in the register maintained under Section 301 of the Companies Act, 1956.
4. The Company has not granted any loans to companies, firms, parties listed in the register maintained under Section 301 of the Companies Act, 1956.
5. a) In respect of monies due under hire purchase transactions, where instalments are not received as stipulated, on the basis of the information and explanations given to us, we are of the opinion that reasonable steps have been taken by the Company for their recovery.
b) In respect of interest free loans and advances in the nature of loans given to staff, the repayment of principal is generally in accordance with the originally stipulated terms.
6. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of plant and machinery, equipment and other assets.
7. Transactions of services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, aggregating during the year to Rs. 50,000/- or more in respect of each party have been made at rates which are reasonable having regard to prevailing market rates for such services.
8. In respect of fixed deposits accepted from the public, the Company has complied with the provisions of Section 58A of Companies Act, 1956, in so far as applicable to the Company and the provisions of the Non-Banking Financial Companies (Reserve Bank) Directions, 1977.
9. The internal audit system is commensurate with the size of the Company and nature of its business.
10. We are informed that the Employees' State Insurance and Provident Fund Laws are not applicable to the Company.
11. According to the records of the Company examined by us, there were no undisputed amounts payable in respect of income-tax, wealth-tax and sales tax outstanding as at 31st March, 1997 for a period of more than six months from the date they became payable.
12. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practices.
13. The investments of the Company are held in its own name or in the process of transfer to its name.
14. The other items of the aforesaid order are, in our opinion, not applicable to the Company.

For SANDEEP KUMAR & ASSOCIATES
Chartered Accountants

NEW DELHI
27TH JUNE, 1997

SANDEEP KUMAR
Proprietor



ASSOCIATED FINLEASE LIMITED

8

BALANCE SHEET AS AT 31ST MARCH, 1997

	SCHEDULE		As at 31st March, 1997 (Rs.)	As at 31st March, 1996 (Rs.)
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	1	50297000	50297000	
Reserves and Surplus	2	<u>6569617</u>	<u>4004698</u>	54301698
			56866617	
Loan Funds				
Secured Loans	3	10183097	1051161	
Unsecured Loans	4	<u>20258000</u>	<u>7689422</u>	8740583
			30441097	
TOTAL			<u>87307714</u>	<u>63042281</u>
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	5	33733198	17787809	
Less : Depreciation		<u>2437873</u>	<u>798793</u>	
Less : Lease Adjustment		<u>3046117</u>	<u>527456</u>	
Net Block			28249208	16461560
Investments	6		2224430	1240640
Current Assets, Loans & Advances				
Interest accrued on investments	7	168816	3866	
Hire Purchase & Lease Assets		31943546	20515108	
Sundry Debtors		5309753	4977485	
Cash & Bank Balances		3472776	3692660	
Other Current Assets		1141506	970424	
Loans & Advances		<u>33928933</u>	<u>26553481</u>	
		75965330	56713024	
Less : Current Liabilities & Provisions				
Current Liabilities	8	20218655	13036608	
Provisions		<u>4541903</u>	<u>2963470</u>	
Net Current Assets			51204772	40712946
Miscellaneous Expenditure	9		5629304	4627135
(To the extent not written off or adjusted)				
TOTAL			<u>87307714</u>	<u>63042281</u>
Accounting Policies and Notes to Accounts	14			

As per our report of even date attached

On behalf of the Board

FOR SANDEEP KUMAR & ASSOCIATES
Chartered Accountants

SANDEEP KUMAR
Proprietor

R.L.WADHWA
Chairman

HARI OM BHATIA
Managing Director

RAJEEV N.BHATIA
Whole Time Director

NALIN CHAUDHRY
Director

VIJAY KAPUR
Director

RAJEEV KHANDELWAL
A.V.P. Finance

MALTI MEHTA
Company Secretary

New Delhi
27th June, 1997